

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
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ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Derrick Headd, Fiscal Staff Analyst *DH*

DATE: June 22, 2007

RE: Enterprise Zone Cost Benefit Analysis Finance-Assessment Response
(Regarding Line Item # 17 on Today's Calendar)

The Finance Department's Assessment Division along with the Planning and Development Department were asked to respond to the Fiscal Analysis Division's Enterprise Zone Cost Benefit Analysis report. In our report, we stated that answers to the following six questions would help us to assist the Council in determining the cost benefit of a proposed NEZ project:

1. What are the current number vacant and occupied residential and commercial parcels in the proposed project area?
2. What was the average home sales price in the proposed area for the past two years?
3. What is the proposed number of new or rehabbed homes or units in the project area and what is their proposed sales price range? In addition, what is the projected commercial investment in the proposed project area?
4. What is the projected income of the new residents or annual sales and or revenue for the proposed businesses in the project area?
5. What are the annual property taxes collected in the area prior to the project establishment in the proposed project area?
6. What are the projected annual property tax collections upon project completion in the proposed project area?

The attached response from the Finance Department's Assessment Division dated June 14, 2007, states that the Assessment Division will supply Council via the Planning and Development Department, the information needed to address our concerns. We agree and believe that the information that the Assessment Division will provide will sufficiently address our concerns and have attached the letter for your review.

In regard to the issues raised by Councilmember Sheila Cockrel on Monday, we are in the process of compiling the information necessary to adequately address those concerns.

Please contact us if we can be of any further assistance.

Attachment: Finance Assessment Response dated June 14, 2007

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer, Finance Department
Linda M. Bade, Chief Assessor, Finance Assessment
Julie Castone, Finance Assessment
Roger Short, Budget Department Director
Douglas Diggs, Planning & Development Department
Clinton Griffin, Planning & Development Department
Kandia Milton, Mayor's Office

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CITY OF DETROIT
FINANCE DEPARTMENT
ASSESSMENT DIVISION

COLEMAN A. YOUNG
MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MICHIGAN 48226
PHONE 313•224•6989
WWW.CI.DETROIT.MI.US

June 14, 2007

Honorable City Council:

RE: Response to Fiscal Analysis Report dated January 7, 2007 relative to NEZ Criteria

The Board of Assessors met with the Fiscal Analysis staff to ascertain the concerns regarding the criteria used to evaluate proposals for the establishment of Neighborhood Enterprise Zone (NEZ) districts. The Board of Assessors supplies to the Planning and Development Department a report that illustrates the current economic status of the real estate and the condition of the housing stock in the proposed area. We understand City Council's request and we are able to adhere. We will make available to the Planning and Development Department all necessary documentation for City Council's consideration.


We are supplying you with a copy of the documentation supplied:

1. A copy of the narrative report
2. A copy of the property classification report
3. A copy of a report of the assessments of the properties in the proposed area
4. A check list of considerations used in the initial evaluations for NEZ proposals

In response to your concerns about the effectiveness of NEZ's and their impact, the Assessors' Department conducted an internal study. We are providing:

1. A report that illustrates the amount of residential new construction annually; Pre & Post NEZ
2. A page from the Assessment Roll: Pre NEZ
3. A page from the Assessment Roll: Post NEZ

Respectfully submitted,



J. Castone, Assessor

F:criteriarequests

October 14,2000

TO: Board of Assessors

FROM: Gary Demuelenare

Re: CHALMERS HEIGHTS NEIGHBORHOOD ENTERPRISE ZONE

Chalmers Heights is south of Mack, North of Warren, west of Marlborough and east of Alter road. On the south side of Mack avenue there is a variety of individual sole proprietorships such as a beauty supply, and a collision shop. The north side of Mack consist of religious buildings, a bank, and a proposed site for a new office building. On both sides of the street there are vacant lots.

On the north side of Warren there are businesses such as a gas station, restaurant, supply store, a playground and a bank, and on the south side of Warren is a gas station a very large parking lot for the Supply store which is across the street, liquor stores, vacant lots and vacant buildings. This commercial strip is thriving.

On Marlborough and Philip streets between Warren and Forest these are a very well maintained block, with predominately brick homes. Throughout the rest of these streets are run down houses and many vacant lots. On Ashland and Manistique streets the houses are not well maintained, there are several vacant and vandalized and fire damaged houses.

During the 2000 sales period there were 16 homes that sold with an average assessment of \$7,434 and an average selling price of \$16,469 and a ratio of 45.1.

The true cash value of neighborhood 9250 (Chalmers Heights) would be expected to increase substantially as a result of the proposed development.

CITY OF DETROIT
FINANCE DEPARTMENT
ASSESSMENTS DIVISION
October 26, 2000

607 CITY-COUNTY BUILDING
DETROIT, MICHIGAN 48226
PHONE 313•224•3075

Paul A. Bernard, Director
Planning & Development Department
2000 Cadillac Tower
Detroit, MI 48226

RE: Neighborhood Enterprise Zone (NEZ) Proposal Chalmers Heights
Enterprise Zone

Dear Mr. Bernard:

The Assessment Division of the Finance Department has reviewed the proposed NEZ Chalmers Heights Enterprise Zone, generally bounded by Marlborough Ave. to the west, Warren Ave. to the north, Mack Avenue to the south, and Alter to the east. The proposed plan will develop 639 new units of owner-occupied homes, 376 of which will be single-family dwellings and 263 multi-family attached townhouses.

The rationale for creating NEZ projects under PA 147 of 1992 must be based on the anticipation of market value added to the neighborhood upon completion of new construction and/or significant rehabilitation of existing housing stock. It should be noted that normal repair and maintenance are not assessed and do not necessarily generate added market value.

Currently, the proposed area has 868 residential parcels and 42 commercial and industrial parcels, with a true cash value of \$6,135,300. Most blocks have vacant parcels and run down houses, some of which are fire damaged or vandalized. In the 2000 sales period, 16 homes were sold with the average selling price of \$16,469. The true cash value of this neighborhood would be expected to rise due to the proposed projects.

The Finance Department Assessment Division concurs with the Planning & Development Department that the area known as Chalmers Heights Enterprise Zone be considered for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, Neighborhood Enterprise Zone Act.

Sincerely,



Julie A. Castone, Assessor

Prepared by: Jill J. Babcock, Renaissance Zone Manager

cc: Ernest A. Weathersby
Michael Boettcher

CHALMERS HEIGHTS NEIGHBORHOOD

ENTERPRISE ZONE

868 RESIDENTIAL PARCELS

42 COMMERCIAL & INDUSTRIAL PARCELS

TRUE CASH VALUE: \$ 6,135,300

PROPOSED CHALMERS HEIGHTS ENTERPRISE ZONE PROJECT
PARCEL and ASSESSMENT DATA

No. of Parcels in the Zone	
Residential	868
Commercial & Industrial	42
Total Parcels	<u>910</u>

True Cash Value	
Residential	\$ 5,321,400
Commercial & Industrial	\$ 813,900
Total True Cash Value Real Property	<u>\$ 6,135,300</u>

No. of Exempt Parcels	
Residential	
Vacant Parcels	392
Parcel With Bldgs.	49
Total Residential Exempts	<u>441</u>
Commercial & Industrial	
Vacant Parcels	2
Parcel With Bldgs.	5
Total Commercial & Industrial Exempts	<u>7</u>

No. of Assessed Vacant Parcels	
Residential	121
Commercial & Industrial	3
Total Vacant Parcels	<u>124</u>

No. of Assessed Parcels With Bldgs.	
Residential	306
Commercial & Industrial	32
Total Bldg. Parcels	<u>338</u>

Average Assessment - Residential	
Parcels With Bldgs. Assessable	\$ 7,230
Vacant Parcels Assessable	\$ 507

Average Assessment - Commercial & Industrial	
Parcels With Bldgs. Assessable	\$ 11,077
Vacant Parcels Assessable	\$ 5,567



Where do I Apply and What do I Submit?

The applicant must submit 4 copies of a completed application package to:

An applicant must submit 4 copies of the completed application package.

City of Detroit
Planning and Development Department
65 Cadillac Square
2000 Cadillac Tower
Detroit, MI 48226
(313) 224-3511 (phone)
(313) 961-9666 (fax)

A complete application package consists of the following:

- Completed NEZ application form
- Description of Project
- Site Plan of Proposed Project
- Legal Description of Land
- Ward and Item numbers for each lot in the project area
- Street Addresses of each lot within the project area
- Map of proposed site
- Proof of meeting with area Citizen District Council or other community area organizations (Letter, meeting minutes, etc.)



What is the Time Frame for an NEZ Designation?

Assuming the application submittal package is complete, the NEZ designation process should take approximately 16 to 24 weeks.



What are NEZ Designation Review Criteria?

The following are review criteria that are used in considering areas for NEZ designation.

The proposed NEZ must meet the following requirements:



An NEZ area must be composed of homes with a value of \$60,000 or less.

- ☐ The area is compact and contiguous of 10 parcels or more, or 10 units or more if designated for new construction only.
- ☐ For rehabilitated and new housing zones: the area is composed primarily of residential structures with a true cash value of \$60,000 or less per unit and the purpose is for primarily rehabilitation versus infill housing.
- ☐ The area must have a probability that proposed improvements will generate significant increases in the true cash value and taxes eligible for abatement.

A proposed NEZ need not meet all criteria below, but should be characterized by a combination of several of the following:

- ☐ The area is consistent with the City's Master Plan, Neighborhood Preservation and Economic Development Plans.
- ☐ The area is designated for new owner-occupied condominium, single or two-family construction.
- ☐ The area has a concentration of vacant sites.
- ☐ The area is characterized by expansive vacant land and is adjacent to stable or redeveloping neighborhoods.
- ☐ The area is composed of distinctive homes or has distinctive surroundings.
- ☐ The area is targeted for redevelopment efforts by the City.
- ☐ The area has potential mortgage financing.
- ☐ The area is stable and is composed of smaller homes which are amenable to expansion and are located on relatively large lots.



A homeowner must receive an NEZ certificate in order to receive tax relief.

Owners of homes in a NEZ must apply for an NEZ Certificate in order to receive tax relief.

To be eligible for a certificate, a rehabilitated house must:

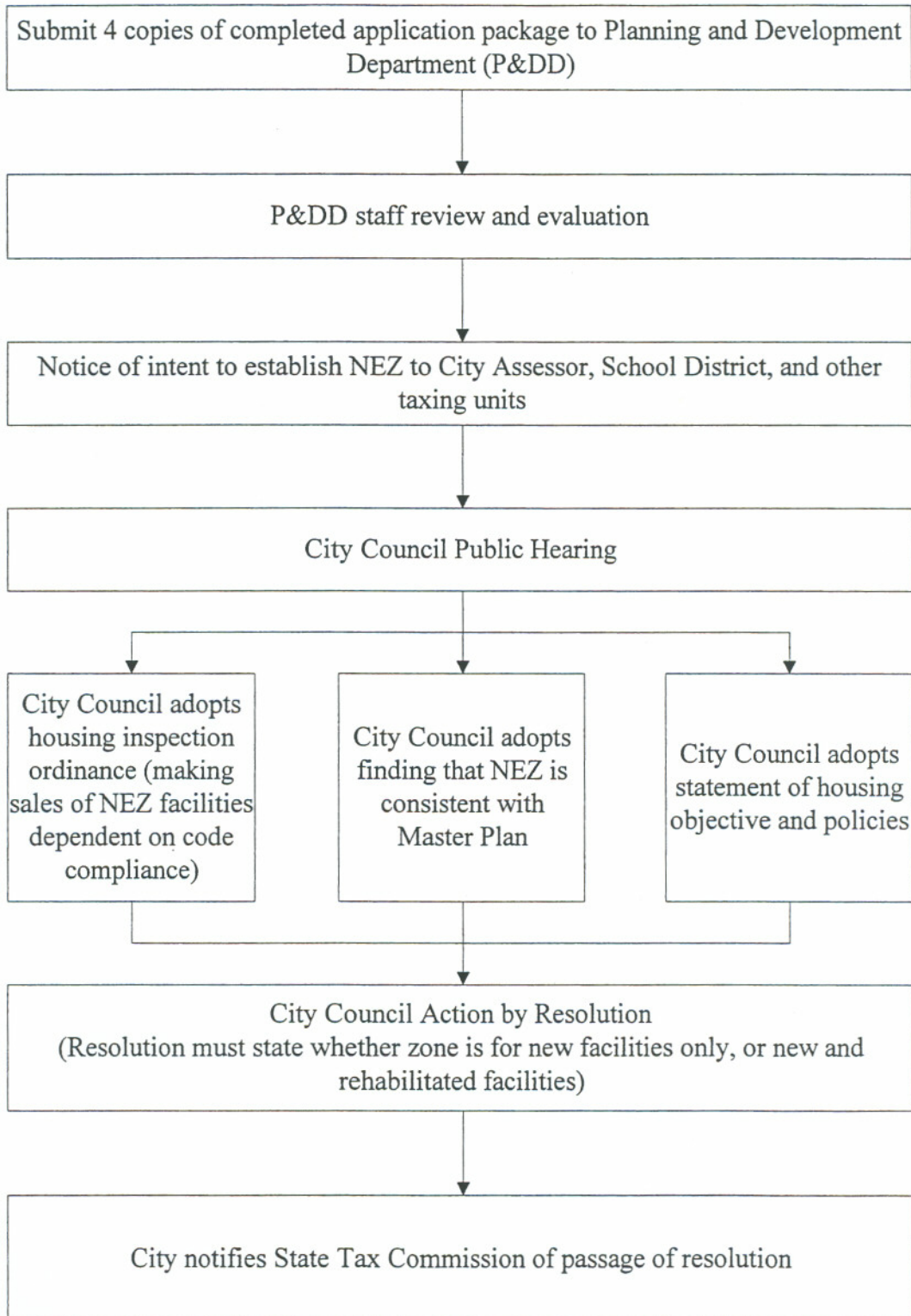
- be residential
- have 1 to 8 units
- be worth \$60,000 or less (true cash value)
- be receiving \$5,000 of improvements per unit if owner-occupied or \$7,500 per unit if nonowner-occupied
- be brought up to minimum building code standards

New housing must be 1 or 2 unit residences, one of which is owner-occupied.

Individual, owner-occupied condominium units are also eligible for a certificate for rehabilitation or new construction.



What is the NEZ Designation Review Process?



Distribution of Residential Property According to Year Built

Years	2007- 2000	1999- 1995	1994 – 1991	1990 – 1982	1981- 1971	Pre 1970
Amount of New Construction	3,548	395	93	42	1,258	252,111

Pre NEZ	
1985	1
1986	3
1987	3
1988	2
1989	0
1990	0
1990	1

Post NEZ	
1992	43
1993	41
1994	36
1995 – 1999	392
2000 – 2007	3,548

PRE-NEZ

Taxpayer of record name and address	Location/Legal description Side of street Lot/Unit No	Item ----- Value type	Previous year 2001 Total Real Assessment	Current year 2002 Total Real Assessment	True & lawful assess- ment determined by the State Tax Commission Div Real
CEDD - HU 79-44 150 MICHIGAN AVE DETROIT MI 48226-2623	72 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 2974 MARLBOROUGH	59284. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730 Last transfer Dec 1977
C&EDD 1/30/87 SD 138208 150 MICHIGAN AVE DETROIT MI 48226-2623	73 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 2980 MARLBOROUGH	59285. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730 Last transfer Oct 1970
CITY OF DETROIT-ACQ 150 MICHIGAN AVE DETROIT MI 48226-2623	74 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 2986 MARLBOROUGH	59286. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730
COMM-EC DEV DEPT 150 MICHIGAN AVE DETROIT MI 48226-2623	75 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 2992 MARLBOROUGH	59287. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730 Last transfer Mar 1977
C&EDD 3-1-93 SD# 168967 150 MICHIGAN AVE DETROIT MI 48226-2623	76 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 2996 MARLBOROUGH	59288. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730 Last transfer Oct 1985
C & E D D SD113571 150 MICHIGAN AVE DETROIT MI 48226-2623	77 E MARLBOROUGH 27 74 HUTTON & NALLS HIGHVIEW P- ARK (PLATS) 21/328 30X112 3002 MARLBOROUGH	59289. Assessed VA Amt Exempt Assessment SEV Capped Taxable Homestead %	400 400 EXEMPT 0.00 ZERO	400 400 EXEMPT 0.00 ZERO	2002 R 730
	Page ASSESSMENT totals TAXABLE totals		0.00 0.00	0.00 0.00	3204/3206
21 59284. - 21 59289.					Page 49,320

23002003.021	Cls 447	2974 MARLBOROUGH	SEV 115,628	
SPENCER, BOBBI LEORY & DIANE	PRE 0.0000 %		CAP 119,443	
		OF LOT 71, ALL 72 HUTTON & NALLS	TAV 115,628	
2974 MARLBOROUGH ST		HIGHVIEW PARK SUB L27 P74 ACT 147 P A	Most Recent	
DETROIT	MI 48215-2592	1992 NEZ LAND IN 21059283-4 ADDED	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z		03/25/04	11/21/03	
			Related Parcel:	
			21059283-4	*
23002003.022	Cls 447	2980 MARLBOROUGH	SEV 130,541	*
VIER, MARK A & GIACOMA J	PRE 0.0000 %	Certificate Amount Approved \$147,000	CAP 134,848	
		ROUGH 73 S 15FT 74 HUTTON & NALLS	TAV 130,541	
2980 MARLBOROUGH		HIGHVIEW PARK SUB L27 P74 PLATS, W C R	Most Recent	
DETROIT	MI 48215-2592	21/328 45 X 112 2004 COMBINATION COMBINE	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z		1/2 OF LOT FROM 59286 -WEB 12/01/03	04/07/04	
			Related Parcel:	
			21059285-6	*
23002003.024	Cls 447	2992 MARLBOROUGH	SEV 116,717	
MOORE, SHOMARI & TRACIE	PRE 0.0000 %	Certificate Amount Approved \$215,000	CAP 116,527	
		ROUGH N 15FT 74 75 HUTTON & NALLS	TAV 116,717	
2992 MARLBOROUGH		HIGHVIEW PARK SUB L27 P74 PLATS, W C R	Most Recent	
DETROIT	MI 48215	21/328 45 X 112 2004 COMBINATION COMBINE	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z		1/2 OF LOT FROM 59287	01/05/05	
			Related Parcel:	
			21059287.	
23002003.025	Cls 447	2996 MARLBOROUGH	SEV 113,875	
HOWZE, DOROTHY J & GLORIA A	PRE 0.0000 %		CAP 117,632	
		T 77 HUTTON & NALLS HIGHVIEW PARK SUB	TAV 113,875	
2996 MARLBOROUGH		L27 P74 PLATS ACT 147 P A 1992 NEZ LAND	Most Recent	
DETROIT	MI 48215	IN 21059288-9 ADDED 6/18/2004	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z			Related Parcel:	
			21059288-9	
23002003.028	Cls 447	3014 MARLBOROUGH	SEV 116,759	
MARLBOROUGH ESTATES LC	PRE 0.0000 %	Certificate Amount Approved \$147,000	CAP 119,535	
		ROUGH 79 S 15 FT OF 80HUTTON & NALLS	TAV 116,759	
2962 MARLBOROUGH		HIGHVIEW PARK SUB L27 P74 PLATS, W C R	Most Recent	
DETROIT	MI 48215	21/328 45 X 112	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z			Related Parcel:	
			21059291-2	
23002003.035	Cls 447	3026 MARLBOROUGH	SEV 115,707	
JOHNSON, VONJJ & DEMETRIUS	PRE 0.0000 %	Certificate Amount Approved \$147,000	CAP 119,525	
		ROUGH N 15 FT OF 80 81 HUTTON & NALLS	TAV 115,707	
3026 MARLBOROUGH		HIGHVIEW PARK SUB L27 P74 PLATS, W C R	Most Recent	
DETROIT	MI 48215	21/328 45 X 112	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z			04/05/04	
			Related Parcel:	
			21059293.	
23002003.041	Cls 447	2951 MARLBOROUGH	SEV 123,690	
HAYNES, WESLEY & FRIERSON, CHAU	PRE 0.0000 %	Certificate Amount Approved \$147,000	CAP 127,771	
		ROUGH 79 & 78 MARLBOROUGH HEIGHTS SUB	TAV 123,690	
2951 MARLBOROUGH		L32 P29 PLATS, W C R 21/402 60 X 100.94A	Most Recent	
DETROIT	MI 48215	(2004 COMBINATION ITEMS: 059667, 059668	Transfer Date:	
NEZ - NEIGHBORHOOD ENTERPRISE Z		12-05-03)	04/20/04	
			Related Parcel:	
			21059667-8	